

Litchfield Hydrant Committee Final Report

June, 2009

Background

In 1991, the New Hampshire Public Utilities Commission issued Report and Order No. 20,196 ordering the predecessor to present day Pennichuck East Utility, Southern New Hampshire Water Company, Inc., to discontinue to collect fees relative to fire protection in the Town of Litchfield and to pay for fire protection out of the general fund. In disagreement with this ruling, the Town requested a rehearing and, after some delays, a hearing was granted.

The Town took the position that payment to Southern for municipal fire protection via a surcharge on Litchfield customers' water bills from Southern resulted in a just and reasonable allocation of rates. The Town further argued that this rate design did not result in the inequitable provision of fire protection to non-Southern customers. The Town requested that the Commission modify or rescind all orders requiring it (the Town) to pay for this service out of its general revenues as collected from all the citizens of the Town, and to continue the historical practice of adding a surcharge to Southern customers' water bills in areas in which fire protection via hydrants was available. In other areas where such protection was not available, the Town and Southern agreed to charge the Town for the use of these services to fight fires for non-Southern customers. A charge of \$800 was agreed to for the latter situations. As of this date, neither Southern nor Pennichuck has ever billed Litchfield for this latter charge.

After the rehearing, the PUC determined that the *"current methodology for collecting these charges is just and reasonable and appears to be a more equitable means of collecting these charges than requiring the entire Town to pay for services it is not receiving. We, therefore, modify Report and Order No. 20,196 to allow Southern to continue to surcharge its customers receiving water service and fire protection services in the Town of Litchfield."*

Since the 1991 ruling, the Town has grown considerably, as has the water supply infrastructure, and in September of 2008, after a meeting with a number of Litchfield citizens concerned over ever-increasing charges, surcharges and fees on their water bills, the Litchfield Board of Selectmen called for the formation of a volunteer committee to explore the fire protection coverage provided by hydrants installed and maintained by Pennichuck East Utility and/or its predecessors. The committee was to consist of 7 citizens, a member of the BOS, a member of the Planning Board and the Fire Chief. Due to misplacement of the original applications for membership, the committee's formation was delayed until February of 2009 at which time the first meeting was held.

The committee and its responsibilities

The committee is comprised of: Chairman John Poulos, Vice Chair Jean White, BOS/Planning Board representative Steve Perry, Chief Tom Schofield, former Selectman Alfred Raccio, former Selectmen's Chair Ray Peebles, Frank Dube, Art Montminy, Bob McCulley, Bill McMahon and Jim Plotnik.

The committee charter as approved by the BOS is as follows:

The Hydrant Committee's purpose is to review and study the most cost effective means of providing fire protection and public water service to the citizens of Litchfield.

The goals of the Litchfield Hydrant Committee are to:

- (1) Research and evaluate the current fire protection situation within Litchfield and develop recommendations for coverage and for cost allocation.
- (2) Educate committee members and the public regarding water supply issues.
- (3) Be cognizant of plans for expanding infrastructure and other steps being taken by water supply agencies to meet anticipated long term needs.
- (4) Encourage coordination of planning between water supply agencies and local government.

At the first meeting of the committee in February, Ray Peeples informed us of the existence of a group called the Merrimack Valley Water District Commission, a group of 16 New Hampshire towns that organized in anticipation of the breakup or purchase of Pennichuck Corp., the parent company of Pennichuck East. Mr. Peeples is the sitting representative for Litchfield on this commission. As it is not the purpose of this report to inform the BOS of the activities of the commission, we will limit ourselves to noting that, in accordance with goals 2 through 4 of the Hydrant Committee, we strongly recommend that the BOS and Litchfield maintain a presence on it and actively continue supporting it.

Subsequent to that first meeting, the committee gathered three more times prior to the submission of this report.

Methodology

The committee decided that the best way to determine present day coverage was to calculate how many homes/lots in town were within 1000 feet of a hydrant. (While the town mandates that new developments have hydrants within 500 feet of each building, the 1000 foot distance is sufficient for fire protection and was deemed acceptable by Chief Schofield.) We then obtained copies of maps of the water main system and hydrant locations throughout town from Pennichuck. The committee counted the number of lots in town and then counted the number of lots that were within the agreed to distance of a hydrant.

According to Pennichuck, there are 217 hydrants in town (the committee's count was 223) along 77 miles of roads (according to the former Road Agent). We counted approximately 2412 lots, with approximately 100 lots being very large agriculture lots. Of those lots, slightly more than 1600 were within 1000 feet of a hydrant. Most of the lots not covered are in the extreme north and the extreme southeast ends of town. These areas typically comprise the earliest subdivisions in Litchfield, those developed in the '70's and '80's prior to the Town's adoption of its current water service model.

It is important to note that the number of lots identified is considerably less than the number of buildings/homes. For instance, the condominium communities are all on one lot but have as many as 78

units (37 buildings) on that lot. Steve Perry also has pointed out that the maps we used did not include some newer subdivisions that he, as Chairman of the Planning Board, knows were approved and built. Consequently, more buildings are covered under the fire protection umbrella than there are lots on the 2007 maps.

To help us achieve as accurate a count of units as possible (and to help validate our counts), the committee inquired of the Town as to how many property tax bills were sent out this year. The answer was 3100. Faced with a 700 unit disparity between the lot count and the number of property tax bills, the committee decided to split the difference and add 350 units each to both the covered and not covered categories. (The committee acknowledged that, even though newly developed areas are *mandated* to have fire hydrants and might, therefore, more likely make up a higher percentage of the difference, the town would best be served by a conservative estimate.)

Summary of results

Using the 3100 tax bill count as a basis and adding 350 to the “covered” category of 1600 homes, somewhere on the order of 63% (1950/3100) of the town’s buildings/homes are adequately served for fire protection by Pennichuck’s hydrants.

Pennichuck has informed us that there are 1785 active water accounts in Litchfield. Using the 3100 tax bills again as a basis, 58% (1785/3100) of the town is paying currently for fire protection through Pennichuck’s monthly “public hydrant charge” of \$12.59 per month.

Litchfield residents pay \$22,473.15 ($\12.59×1785) to Pennichuck each month for fire protection currently. The yearly cost to residents is \$269,677.80.

It’s important to note that the committee found that there is no discount on house insurance based on a building’s proximity to a fire hydrant. Members of the committee checked with a number of insurance companies and none of them offered a discount based on the property’s proximity to a hydrant. All the companies contacted acknowledged that an insured *could* pay more if they were beyond a set distance, usually a mile, of a fire house. The presence or lack of hydrants has no bearing on insurance costs.

Conclusion

It is this committee’s conclusion that, while the initial model for fire protection as agreed to by the Town and by the water company was adequate 18+ years ago, it is no longer acceptable.

Considerably more of the Town is able to draw on this fire protection today than was able to in 1991 and, consequently, the cost for that service should be more equitably distributed.

58% of the residences are paying twice for fire protection; once through the hydrant surcharge and once through their property taxes.

Based on the information we have developed and presented here, our belief is that every home in Litchfield would pay on the order of \$7.25 per month for fire protection at today’s rates as set by Pennichuck if all residences paid for fire protection.

Recommendation

The committee considered two possible approaches for an equitable resolution.

Option 1- The Town of Litchfield and Pennichuck East enter into a new agreement such that the Town pays Pennichuck East directly from the general fund for fire protection. All residents would then pay their portion of the fire protection costs indirectly through their taxes.

Option 2- The Town of Litchfield provide a tax credit or abatement to residents paying the hydrant surcharge.

The committee determined that the administrative costs to the town for Option 2 would be prohibitive, not to mention the legalities involved when dealing with the State and trying to get approval for an abatement of this nature.


Therefore, it is the committee's recommendation that, should the Board of Selectmen choose to take action on this issue, Option 1 be chosen.

Recognizing that there might be a need for a warrant article, the committee respectfully submits the following draft for consideration.

Suggested Warrant Article

Shall the Town of Litchfield vote to direct the Board of Selectmen to enter into a new agreement with the Pennichuck East Utility such that the Town pays Pennichuck East Utility directly from the General Fund for fire protection.

Submitted for the Hydrant Committee by:



John Poulos, Chairman
56 Old Stage Rd.

6-8-09
Date